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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, MAY 21, 1999

APPLICATION OF

THE POTOMAC EDISON COMPANY,  
d/b/a ALLEGHENY POWER

CASE NO. PUE980234

For an Annual Informational Filing

ORDER GRANTING MOTION TO ACCEPT  
AGREEMENT OF STIPULATION AND SETTLEMENT

In a Motion filed on May 19, 1999, the Commission Staff, by counsel, requested that the Commission accept the proposed Agreement of Stipulation and Settlement ("the Agreement") attached to the Motion. Staff represented that it was authorized to state that the Company wished to join in its Motion.

In support of its Motion, Staff represented that the Agreement is consistent with the recommendations found in the Staff Report dated May 19, 1999. In its Report, Staff noted that The Potomac Edison Company, d/b/a Allegheny Power ("Allegheny" or "the Company") proposed to reduce its Virginia jurisdictional rates by \$3.0 million effective for service rendered on and after June 1, 1999. The Staff also noted that the \$3.0 million reduction in base rates, in conjunction with the nonrecognition for ratemaking purposes of Virginia

jurisdictional losses on reacquired debt in the amount of \$598,000 as of December 31, 1998, will bring Allegheny's return on equity within its currently authorized return on equity range of 11.0% to 12.0%.

NOW THE COMMISSION, having considered the Company's application, the Staff Report and May 19, 1999, Motion, is of the opinion and finds that the terms of the Agreement attached to that Motion are in the public interest and that the Staff's May 19, 1999, Motion should be granted.

Accordingly, IT IS ORDERED THAT:

(1) The May 19, 1999, Motion to Accept Agreement of Stipulation and Settlement is hereby granted.

(2) Allegheny shall reduce its base rates in Virginia by \$3.0 million annually, effective for service rendered on and after June 1, 1999.

(3) The decrease in the Company's annual revenues shall be distributed among Allegheny's rate schedules as provided on Exhibit 2 to the Agreement of Stipulation and Settlement attached hereto.

(4) Allegheny's Virginia jurisdictional losses on reacquired debt incurred in October 1998, in the amount of \$598,000, as of December 31, 1998, have been recovered, and such costs shall no longer be recognized for future ratemaking purposes.

(5) There being nothing further to be done herein, this matter is hereby dismissed from the Commission's docket of active proceedings.